

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PURCHASED WATER ADJUSTMENT FILING OF ) CASE NO.  
MONTGOMERY COUNTY WATER DISTRICT #1 ) 2017-00280

ORDER

On July 18, 2017, Montgomery County Water District #1 ("Montgomery County") applied for approval to adjust its rates pursuant to the purchased water adjustment procedure.<sup>1</sup>

The Commission notes that in its 2015 Annual Report Montgomery County reported a water loss of 2.2964 percent.<sup>2</sup> Montgomery County's application provides updated purchases and sales information for a more current period than the 2015 Annual Report. Commission regulation 807 KAR 5:066(6)(3) states that for ratemaking purposes a utility's unaccounted-for water loss shall not exceed 15 percent of total water produced and purchased, excluding water consumed by a utility in its own operations. Based upon the updated information in the application and the percentage of other water consumed by the utility in its 2015 Annual Report,<sup>3</sup> Montgomery County's unaccounted-for water loss

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<sup>1</sup> KRS 278.015; 807 KAR 5:068.

<sup>2</sup> 2015 Annual Report at 61, line 33.

<sup>3</sup> 2015 Annual Report, at 61, line 21, divided by line 4, (1,352 divided by 41,116) equals 3.29 percent.

is determined to be 17.6240 percent for the updated period.<sup>4</sup> Reduction of Montgomery County's unaccounted-for water loss to 15 percent would result in an approximate \$3,416<sup>5</sup> decrease to purchased water expense. Potentially, Montgomery County is paying \$0.10 per 1,000 gallons sold, for expenses associated with unaccounted-for water loss in excess of the allowable 15 percent<sup>6</sup> threshold.

The Commission is placing greater emphasis on monitoring utilities that consistently exceed the 15 percent unaccounted-for water loss threshold and strongly encourages Montgomery County to pursue reasonable actions to reduce its unaccounted-for water loss. Failure by Montgomery County to make significant progress towards reducing unaccounted-for water loss may cause the Commission to pursue additional action with the utility.

The Commission, having reviewed the record and being sufficiently advised, finds that:

1. Montgomery County purchases water from the Mount Sterling Water and Sewer System ("Mt. Sterling").
2. Mt. Sterling notified Montgomery County on June 23, 2017, that its wholesale rate would increase from \$2.96 per 1,000 gallons to \$3.02 per 1,000 gallons

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4 Total Purchases (application PWA Form 1 at 2)	43,102,977
Less Total Sales (application PWA Form 1 at 2)	34,089,170
Less plant use (% determined from 2015 AR)	<u>1,417,337</u>
Water loss - gallons	7,596,470
Water loss - percent	17.6240
Water loss – above 15 percent	2.6240

<sup>5</sup> Potential purchased water expense reduction (cost at new wholesale rate times water loss above 15 percent) = \$ 3,416.

<sup>6</sup> Potential purchased water expense reduction divided by sales (\$3,416/(34,089,170/1,000) equals \$0.1002/1,000.

effective August 1, 2017.<sup>7</sup> Montgomery County proposed to increase the water rates to its customers effective August 1, 2017, to reflect the increased cost of purchased water from Mt. Sterling.

3. Montgomery County proposes a purchased water adjustment factor of \$0.08 per 1,000 gallons.

4. During the 12 months ended May 31, 2017, Montgomery County purchased 43,102,977 gallons of water from Mt. Sterling. During the same period, Montgomery County sold 34,089,170 gallons of water. The increase in the cost of purchased water is \$2,586.18, resulting in a purchased water adjustment factor of \$0.08 per 1,000 gallons.

5. The purchased water adjustment factor of \$0.08 per 1,000 gallons, as calculated in Appendix A to this Order, is fair, just, and reasonable and should be approved as requested by Montgomery County.

6. Montgomery County's proposed rates, as set forth in Appendix B to this Order are fair, just and reasonable and should be approved for water service rendered by Montgomery County on and after August 1, 2017.

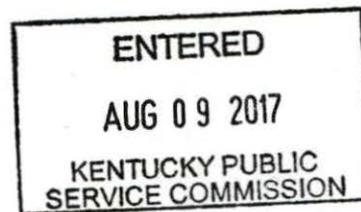
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<sup>7</sup> TFS 2017-00355 (Ky. PSC filed June 22, 2017); the tariff was accepted for filing by the Commission by letter dated July 31, 2017.

IT IS THEREFORE ORDERED that:

1. The purchased water adjustment factor of \$0.08 per 1,000 gallons is approved.
2. The rates as set forth in Appendix B to this Order are approved for water service rendered by Montgomery County on and after August 1, 2017.
3. Within 20 days of the date of this Order, Montgomery County shall file with the Commission, using the Commission's electronic Tariff Filing System, revised tariff sheets showing the rates approved herein.

By the Commission



ATTEST:

  
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Acting Executive Director

Case No. 2017-00280

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2017-00280 DATED **AUG 09 2017**

	New Rate	Base Rate
Montgomery County Mt. Sterling Purchases in gallons	43,102,977	43,102,977
	<u>\$ 3.02/1,000</u>	<u>\$ 2.96/1,000</u>
Total	\$130,170.99	\$127,584.81

Increased water cost \$ 2,586.18

Increased water cost \$ 2,586.18  
Divided by gallons sold/1,000 34,086,170  
Purchased water adjustment factor \$ 0.0759 per 1,000 gallons  
or \$ 0.08 per 1,000 gallons

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2017-00280 DATED **AUG 09 2017**

The following rates and charges are prescribed for the customers in the area served by Montgomery County Water District. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of the Commission prior to the effective date of this Order.

Monthly Water Rates

First	2,000 gallons	\$23.25 Minimum Bill
Next	3,000 gallons	7.48 per 1,000 gallons
Next	5,000 gallons	6.76 per 1,000 gallons
Over	10,000 gallons	6.04 per 1,000 gallons
Wholesale Customers		\$3.29 per 1,000 gallons

\*Montgomery County Water District #1  
4412 Camargo Road  
Mt. Sterling, KY 40353

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